31-08-11

Sakhisizwe Local Municipality

Financial Statements

2010 - 2011

Sakhisizwe Local Municipality
Annual Financial Statements
for the year ended 30 June 2011

General Information

Nature of business and principal activities	Service delivery
Accounting Officer	Thembeni Samuel
Chief Finance Officer (CFO)	Pieter Steyn
Registered office	15 Maclear Road Elliot 5460
Business address	15 Maclear Road Elliot 5460
Postal address	PO Box 21 Elliot 5460
Bankers	First National Bank
Auditors	Office of the Auditor General

SAKHISIZWE MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

The following supplementary information does not form part of the annual financial statements and is unaudited:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South Africa Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

A report of the accounting officer has not been prepared as the municipality is a holly owned controlled entity of which is incorporated in South Africa.

Sakhisizwe Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Officer's Responsibilities and Approval

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standard board.

I am responsible for the annual financial statements set out on pages 4 to 57 in terms of section 126 (1) of the Municipal Finance Management Act and which have been prepared on the going concern basis. I certify that the salaries, allowances and benefits of Councillors and payments made to Councillors for loss of office as disclosed in the notes to the annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. The annual financial statements have been approved on behalf of the Municipality by the accounting officer and were signed on its behalf by:

Samuel

Thembeni Samuel

Municipal Manager

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Other receivables from non-exchange transactions	7	6 497 160	5 751 542
VAT receivable	8	3 969 770	-
Trade & other receivables from exchange transactions	9	1 618 190	1 613 501
Cash and cash equivalents	10	9 967 338	14 161 978
		22 052 458	**21 527 021**
Non-Current Assets			
Property, plant and equipment	4	91 640 708	75 040 118
Total Assets		**113 693 166**	**96 567 139**
Liabilities			
Current Liabilities			
Finance lease obligation	11	2 156 294	325 037
Trade and other payables from exchange transactions	14	3 482 527	3 479 505
Trade & other payables (non-exchange)	15	215 019	215 019
VAT payable	16	-	589 901
Consumer deposits	17	313 534	307 104
Employee benefit obligation	6	92 063	95 689
Unspent conditional grants and receipts	12	4 455 654	1 267 836
Provisions	13	2 158 826	1 797 378
		12 873 917	**8 077 469**
Non-Current Liabilities			
Finance lease obligation	11	8 240 885	290 633
Employee benefit obligation	6	1 488 773	1 619 049
		9 729 658	**1 909 682**
Total Liabilities		**22 603 575**	**9 987 151**
Net Assets		**91 089 591**	**86 579 988**
Net Assets			
Accumulated surplus		91 089 591	86 579 988

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue	19	55 363 481	51 140 923
Other income		15 730 318	12 169 338
Operating expenses		(66 105 666)	(57 733 635)
Operating surplus		**4 988 133**	**5 576 626**
Investment revenue	29	701 261	1 076 721
Loss on biological assets and agricultural produce		-	(17 890)
Finance costs	32	(1 179 791)	7 863
Surplus for the year		**4 509 603**	**6 643 320**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	79 849 796	79 849 796
Adjustments		
Prior year adjustments	86 872	86 872
Balance at 01 July 2009 as restated	**79 936 668**	**79 936 668**
Changes in net assets		
Surplus for the year	6 643 320	6 643 320
Total changes	6 643 320	6 643 320
Balance at 01 July 2010	**86 579 988**	**86 579 988**
Changes in net assets		
Surplus for the year	4 509 603	4 509 603
Total changes	4 509 603	4 509 603
Balance at 30 June 2011	**91 089 591**	**91 089 591**

Note(s)

Cash flow statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		4 533 560	12 048 972
Grants		47 608 069	37 167 314
Other receipts		2 556 574	12 178 121
		54 698 203	61 394 407
Payments			
Employee costs		(22 380 268)	(20 463 246)
Suppliers		(6 442 442)	(486 037)
Other payments		(20 942 410)	(18 643 176)
Prior year non-cash journal		(3 608 109)	(3 659 999)
		(53 373 229)	(43 252 458)
Net cash flows from operating activities	36	**1 324 974**	**18 141 949**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(16 600 590)	(20 096 152)
Proceeds from sale of assets		-	(17 890)
Net cash flows from investing activities		**(16 600 590)**	**(20 114 042)**
Cash flows from financing activities			
Finance lease payments		(6 535 999)	(308 192)
Finance lease receipts		16 299 214	-
Other cash item		(30 725)	(29 490)
Interest income		2 546 571	-
Finance costs		(1 198 085)	(68 366)
Net cash flows from financing activities		**11 080 976**	**(406 048)**
Net increase/(decrease) in cash and cash equivalents		**(4 194 640)**	**(2 378 141)**
Cash and cash equivalents at the beginning of the year		14 161 978	16 540 119
Cash and cash equivalents at the end of the year	10	**9 967 338**	**14 161 978**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Transitional provision

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and investment property has accordingly been recognised at provisional amounts, as disclosed in 3.

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

Accounting Policies

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings wich is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity with a maximum period of four years such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revalutation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

1.2 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life (years)**
Buildings	30
Plant and machinery	10
Furniture and fixtures	5 - 7
Motor vehicles	5
Office equipment	5 - 7
IT equipment	5 - 7
Infrastructure	
• Roads and paving	25 - 50
• Pedestrian Malls	30
• Electricity	15 - 50
Community	
• Improvements	30
• Recreational facilities	20-30
• Security	5
Investment property	30

The residual value, and the useful life and depreciation method of each asset are reviewed annualy. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Residual values have been determined for all movable assets based on supplier information such as motor vehicle book values, however where no supplier information for residual values could be established a residual value of 10% of the cost or fair value was used.

Accounting Policies

1.3 Landfill Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of landfill site. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of landfill site includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which itt is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

1.4 Intangible assets (continued)

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

1.5 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.5 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.5 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - Recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.5 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease or the bank prime interest rate..

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Transitional provision

The municipality changed its accounting policy for inventories in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in . The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where inventories was acquired through a transfer of functions, the municipality is not required to measure that inventories for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and inventories has accordingly been recognised at provisional amounts, as disclosed in .

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses annually whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

1.8 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess annually whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.10 Employee benefits (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

The municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. An actuarial study was undertaken to determine the municipality's obligations. For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

1.11 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Accounting Policies

1.14 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

1.19 Presentation of currency

These annual financial statements are presented in South African Rand which is the functional currency of the municipality.

1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.21 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

2. New standards and interpretations

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104: Financial Instruments

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:
- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality’s statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:
- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement of Comparison of Budget and Actual Amounts’. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:
- are prepared using the same basis of accounting i.e. either cash or accrual;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset’s heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:
- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:
- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity’s decision to terminate an employee’s employment before the normal retirement date; or
  - an employee’s decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:
- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:
- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:
- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3. Investment property

	2011			2010		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	-	-	-	-	-	-

Reconciliation of investment property - 2011

	Opening balance	**Total**
Investment property	-	-

Reconciliation of investment property - 2010

	Opening balance	**Total**
Investment property	-	-

Transitional provisions

Investment property recognised at provisional amounts

The municipality elected to adopt the transitional provisions for GRAP 16, Investment property, as per paragraph 67 of Directive 4. According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the standards of GRAP on Investment property. Although investment properties have been identified, they have accordingly been recognised at provisional amounts. The municipality is in the process of measuring the investment property. The transitional provision expires on 30 June 2011.

4. Property, plant and equipment

	2011			2010		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	883 000	-	883 000	883 000	-	883 000
Buildings	8 335 501	-	8 335 501	8 290 500	-	8 290 500
Landfill Sites	2 055 175	(243 496)	1 811 679	2 055 175	-	2 055 175
Plant and machinery	17 471 622	(4 602 005)	12 869 617	3 241 566	(2 510 265)	731 301
Furniture and fixtures	1 759 680	(693 415)	1 066 265	477 966	(51 870)	426 096
Motor vehicles	2 385 800	(1 531 026)	854 774	2 385 800	(1 292 611)	1 093 189
Office equipment	250 722	(51 587)	199 135	120 000	(27 000)	93 000
IT equipment	1 382 239	(676 296)	705 943	1 195 188	(474 567)	720 621
Emergency equipment	52 872	(36 254)	16 618	52 872	(31 581)	21 291
Infrastructure	65 463 299	(4 065 337)	61 397 962	62 156 793	(3 297 429)	58 859 364
Community	2 468 464	-	2 468 464	1 866 581	-	1 866 581
Capital work in progress	1 031 750	-	1 031 750	-	-	-
Total	**103 540 124**	**(11 899 416)**	**91 640 708**	**82 725 441**	**(7 685 323)**	**75 040 118**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance (Carrying value)	Additions	WIP	Depreciation & other adjustments	Total (Carrying value)
Land	883 000	-	-	-	883 000
Buildings	8 290 500	45 001	-	-	8 335 501
IT equipment	720 621	187 051	-	(201 729)	705 943
Furniture and fixtures	426 096	740 954	-	(100 785)	1 066 265
Office equipment	93 000	130 722	-	(24 587)	199 135
Emergency Equipment	21 291	-	-	(4 673)	16 618
Motor vehicles	1 093 189	-	-	(238 415)	854 774
Plant and machinery	731 301	14 230 056	-	(2 091 740)	12 869 617
Infrastructure	58 859 364	3 306 506	-	(767 908)	61 397 962
Community	1 866 581	601 883	-	-	2 468 464
Landfill Sites	2 055 175	-	-	(243 496)	1 811 679
Capital work in progress	-	-	1 031 750	-	1 031 750
	75 040 118	**19 242 173**	**1 031 750**	**(3 673 333)**	**91 640 708**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance (Carrying value)	Additions	WIP	Disposals	Depreciation & other adjustments	Impairment reversal	Total (Carrying value)
Land	883 000	-	-	-	-	-	883 000
Buildings	8 105 000	185 500	-	-	-	-	8 290 500
IT equipment	368 187	499 090	-	(6 500)	(143 179)	3 023	720 621
Furniture and fixtures	289 292	188 674	-	-	(51 870)	-	426 096
Office equipment	114 600	-	-	-	(21 600)	-	93 000
Emergency equipment	27 704	-	-	-	(6 413)	-	21 291
Motor vehicles	1 137 430	-	-	(74 650)	10 255	20 154	1 093 189
Plant and machinery	853 951	141 712	-	(125 487)	(251 813)	112 938	731 301
Infrastructure	44 942 198	12 119 851	5 094 744	-	(3 297 429)	-	58 859 364
Community	-	1 866 581	-	-	-	-	1 866 581
Landfill Sites	2 055 175	-	-	-	-	-	2 055 175
	58 776 537	**15 001 408**	**5 094 744**	**(206 637)**	**(3 762 049)**	**136 115**	**75 040 118**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Land & Buildings: The valuation of Municipal owned properties as at 2010 was replaced by an amended listing compiled by the Property Valuer and capitalised under Land & Buildings as at 30 June 2011. The difference to the balance as at 30 June 2010 was adjusted as a prior year error adjustment. Depreciation on Buildings will commence from the 1st July 2011.

Community Centres: cempletion certificates were not available as at the time of the financial statements in order to determine the date from when depreciation should commence, all depreciation on community centres will therefore commence from the 1st July 2011.

5. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Financial assets amortised	Non-financial assets	Total
Other receivables from non-exchange transactions	2 717 165	3 779 995	6 497 160
VAT	-	3 969 770	3 969 770
Trade & other receivables from exchange transactions	1 618 190	-	1 618 190
Cash & cash equivalents	9 967 338	-	9 967 338
PPE	-	91 640 708	91 640 708
	14 302 693	**99 390 473**	**113 693 166**

2010

	Financial assets amortised	Non-financial assets	Total
Other receivables from non-exchange transactions	2 467 143	3 284 399	5 751 542
VAT	-	-	-
Trade & other receivables from exchange transactions	1 613 501	-	1 613 501
Cash & cash equivalents	14 161 978	-	14 161 978
PPE	-	75 040 118	75 040 118
	18 242 622	**78 324 517**	**96 567 139**

6. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical aid defined benefit medical plan. The last valuation was performed by Deloitte & Touch Actuarial & Insurance Solutions using the Projected Unit Credit Method.

The value of the PRMA (Post-retirement medical assistance) liability is respect of all eligible Sakhisizwe Municipality employees who belong to one of the following medical schemes: Hosmed, Kei Health, LA Health, Bonitas and SAMWUMED.

Sakhisizwe Municipality will contribute 70% of the total premium payable, subject to a maximum of R2 850.80 (2010: R2 850.80.) The municipality only subsidises the employee, spouse or life partner, biological children, and legally adopted children, up to the age of 21 years. An assumption is therefore made that should a child dependant turn 21 years of age, he/she is no longer eligible for subsidy benefits.

Post retirement defined benefit medical aid plan

Membership profile: 2010

- The calculation is based on 4 members (2009: 4) with an average age of 66.1 (2010: 65.1), and 0.75 average dependants 2009: 1) and an average monthly contribution of R1 871 (R1 923)

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

6. Employee benefit obligations (continued)

The average age of pensioners increased by 1 year since the previous valuation as expected. The average number of dependants decreased from 1 to 0.75 due to 1 pensioner (Coetzer) passing away since the previous valuation and his wife becoming the main member with no dependants.
The small change in average monthly employer contribution is due to the following:
- An increase in the medical scheme contribution rates. The principal member contributions increased from R 1,434 to R 1,563 (9%) for LA Active and from R 2,432 to R 2,687 (10.49%) for LA Core.
- However, due to the death of Coetzer, the contribution payable for this pensioner is now based only on the principle member contribution and therefore, has reduced the overall average contribution significantly.

The amounts recognised in the statement of financial position are as follows:

	2011	2010
Present value of the defined benefit medical aid obligation		
Present value of the defined benefit medical aid obligation	(1 580 836)	(1 714 738)
Non-current liabilities	(1 488 773)	(1 619 049)
Current liabilities	(92 063)	(95 689)
	(1 580 836)	**(1 714 738)**

There are no plan assets held by the municipality.

Changes in the present value of the defined benefit obligation are as follows:

	2011	2010
Opening balance	(1 714 738)	(1 809 261)
Interest cost	(115 854)	(135 409)
Benefit payments	95 689	95 441
Actuarial gain	154 067	134 491
	(1 580 836)	**(1 714 738)**

Key assumptions used

Figures in Rand	2011	2010

6. Employee benefit obligations (continued)

Assumptions used at the reporting date:
Valuation assumptions

We used realistic assumptions in the central basis.
In this section, we discuss the central basis, on which the main results are based. We also performed sensitivity tests in a separate section below where we changed the central basis to allow for other factors and examined the effects on the results. These adjusted bases are discussed below where the results of the sensitivity tests are shown.

Investment returns

There is general agreement amongst the actuarial profession that IAS 19 (AC 116) requires the valuation discount rate to be equal to actual long bond yields at the date of the valuation (par. 78-82 of IAS 19 (AC 116)). The statement stipulates that:
The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds should be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.
We have used the entire zero-coupon South African Bond Yield curve as at 30 June 2011 in the PRMA valuation of Sakhisizwe Municipality. Therefore, a single assumption for the discount rate is not shown.

Medical inflation

Since the discount rates were described using a yield curve, a yield curve is also used to describe future medical inflation. Future medical inflation was assumed to be 1% lower than the valuation discount rate at each term to maturity.
It is not the actual levels of the assumptions that are important, but rather the differences or gaps between them (particularly between medical inflation and the discount rate). We believe that a long-term gap of 1% between medical inflation and the valuation discount rate is reasonable for long term valuation purposes. We refer to the difference between medical inflation and the discount rate as the „gap" or the real discount rate. 7 .
Consumer Price Index
We have assumed CPI to be 3% lower than the discount rate at each term to maturity. This is different to the assumption used in the previous valuation of 3.5% lower than the discount rate at each term to maturity.
A gap of 3.00% between CPI and the discount rate is believed to be more reflective view of future CPI rates due to the following two factors:
1. The current gap between CPI and the ZAR zero-coupon bond yield is below 3.25%.

Statssa released their latest May 2011 CPI rate in April 2011. The May 2011 CPI rate is 4.6% year-on-year. In comparison, the ZAR zero-coupon bond annual effective yield is currently at 5.38%. The actual gap between CPI and the ZAR zero-coupon bond yield as at June 2011 is therefore 1.22%. The actual gap is therefore below 3.25%.
2. More importantly, over the long-term, the average gap between the ZAR zero-coupon bond yield curve and forecasted CPI is expected to be lower than 3.25%.

Therefore, we have reduced the CPI Gap assumption to 3.00% for the current valuation as this assumption provides a better reflection of expected future CPI rates in comparison to the previous assumption of 3.25%. We believe that a long-term gap of approximately 3.00% between CPI and the valuation discount rate is reasonable for long term valuation purposes.

Salary inflation

The maximum subsidy amount payable by Sakhisizwe Municipality of R 2,850.80 at 30 June 2011 is expected to increase from time to time. The rate of increase is assumed to be equivalent to salary inflation. This implies that salary inflation will have an impact on the liability. For the current valuation we have assumed salary inflation to be 1% above CPI in the long run. This is different to the assumption used in the previous valuation of 2% above CPI in the long run. This change in assumption is due to a decreasing trend in salary inflation over the long term.
Based on this assumption, salary inflation is assumed to be at a rate of 4.02% in the valuation model as at 30 June 2011 (compared to an expected salary inflation of 5.36% in the 2010 valuation). This implies that the maximum subsidy amount is expected to increase to R 2965.29 for the year 1 July 2011 to 30 June 2012.

The real discount rate (or the 'gap')

Figures in Rand	2011	2010

6. Employee benefit obligations (continued)

This is the variable having the greatest effect on the liability. Small changes in this assumption will lead to large changes in the liability result. As discussed above, we have assumed a gap of 1%. The effect of changes in the real discount rate is shown under the sensitivity analysis in a separate section below.

Normal retirement age

The normal retirement age of the Sakhisizwe Municipality employees is 65 years for males and 60 years for females.

Mortality

The post-retirement mortality used in the valuation is PA(90) M for males, and PA(90) F for Females.

Marital Status/Number of Child Dependants/Number of Adult Dependants

The actual numbers of adult and child dependants was used when valuing the pensioners. The actual ages of adult dependants were used, as per the data received for 2011.
The overall effect of membership changes has resulted in a significant decrease in the liability.

7. Other receivables from non-exchange transactions

Rates (net of impairment)	2 717 165	2 467 143
Chris Hani District Municipality Agency Account	3 779 995	3 191 610
Insurance Payments due	-	52 130
Staff Salary overpayments	-	40 659
	6 497 160	**5 751 542**

2010: Salaries paid to Section 57 managers during the financial year exceeded the salaries approved and authorised by Council by R40 659. The municipality is in the process of recovering the over payment from the staff and a corresponding debtors account has been created for the amount due from the staff.

2010: Insurance Payment due relates to a vehicle which was written off in an accident on the 31 August 2009, but for which the insurance payment was only paid out on the 15th October 2010. A corresponding Debtor was created as at year end 30 June 2010 for the amount payable by the Insurance company. The amount paid was split between the payment of R28 505,77 paid to Wesbank in settlement of the Finance Lease and R23 634,23 paid directly to the Municipality.

8. VAT receivable

VAT Receivable	3 969 770	-

9. Trade and other receivables from exchange transactions

Gross balances		
Electricity	1 701 569	1 765 648
Refuse	13 977 489	11 553 541
Other Trade Debtors	33 436	51 913
Other receivables	46 818	137 669
Irregular expenditure: Refundable	40 350	26 587
	15 799 662	**13 535 358**
Less: Provision for debt impairment		
Electricity	(573 698)	(742 134)
Refuse	(13 603 038)	(11 167 059)
Other Trade Debtors	(4 736)	(12 664)
Other receivables	-	-
	(14 181 472)	**(11 921 857)**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

9. Trade and other receivables from exchange transactions (continued)

Net balance		
Electricity	1 127 871	1 023 514
Refuse	374 451	386 482
Other Trade Debtors	28 700	39 249
Other receivables	46 818	137 669
Irregular Expenditure: Refundable	40 350	26 587
	1 618 190	**1 613 501**

Electricity		
Current (0 -30 days)	564 214	460 468
31 - 60 days	165 968	136 331
61 - 90 days	89 455	64 392
91 - 120 days	67 931	56 729
121 - 365 days	240 303	305 594
	1 127 871	**1 023 514**

Refuse		
Current (0 -30 days)	261 334	272 987
31 - 60 days	16 691	14 591
61 - 90 days	9 609	8 279
91 - 120 days	3 988	5 487
121 - 365 days	82 829	85 138
	374 451	**386 482**

Irregular expenditure		
Current (0 -30 days)	40 350	26 587

Other receivables		
Current (0 -30 days)	46 818	137 669

Other Trade Debtors		
Current (0 -30 days)	8 129	8 659
31 - 60 days	521	2 465
61 - 90 days	240	2 263
91 - 120 days	235	1 309
121 - 365 days	19 575	24 553
	28 700	**39 249**

Reconciliation of debt impairment provision		
Balance at beginning of the year	(11 921 857)	(10 077 553)
Contributions to provision	(2 259 615)	(1 844 304)
	(14 181 472)	**(11 921 857)**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	648 056	32 648
Short-term deposits	9 319 282	14 129 330
	9 967 338	**14 161 978**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
First National Bank - Current Account - 6207-652-3135	871 244	504 350	204 891	648 056	32 648	759 353
MSP - 6207-652-2294	43 377	44 052	44 683	43 378	44 052	44 683
MIG - 6207-657-7091	185 655	25 885	3 781 275	185 656	25 886	3 781 275
Disaster fund - 6207-659-5902	-	75 346	76 006	-	75 347	76 006
Elliot Housing - 6207-745-0056	1 109	1 109	41 309	1 110	1 109	41 309
Survey Account - 6207-659-0621	9 367	10 087	10 747	9 368	10 088	10 747
Extension 13&14 -6207-745-1278	1 000	1 000	6 231	1 000	1 000	6 231
Extension 15 - 6207-740-8203	2 213	2 213	5 103	2 213	2 213	5 103
FMG - 6216 - 538 - 9464	24 789	32 490	10 000	24 789	32 490	10 000
General Valuation - 6207-745-0832	1 000	1 000	1 000	1 000	1 000	1 000
IDP plan - 6207-744-9603	109 452	226 761	106 761	109 452	226 761	106 761
MSIG - 6216-538-9555	13 065	585 617	473 750	13 066	585 617	473 750
PMF review account - 6216-534-1993	172 764	172 764	172 764	172 764	172 764	172 764
DME - 6220-960-0776	3 713 115	10 535	877 302	3 713 115	10 535	877 302
IEC - 6221-824-3418	47 422	47 422	47 422	47 423	47 423	47 422
Skills Development - 6217-582-8189	31 319	31 319	96 810	31 320	31 320	96 810
FNB Operating Call - 6216-534-1943	4 963 627	12 861 725	11 825 614	4 963 628	12 861 725	11 825 614
Total	**10 190 518**	**14 633 675**	**17 781 668**	**9 967 338**	**14 161 978**	**18 336 130**

Figures in Rand	2011	2010

11. Finance lease obligation

Minimum lease payments due		
- within one year	3 398 375	366 202
- in second to fifth year inclusive	10 126 434	303 068
	13 524 809	669 270
less: future finance charges	(3 127 630)	(53 600)
Present value of minimum lease payments	**10 397 179**	**615 670**

Present value of minimum lease payments due		
- within one year	2 156 294	325 037
- in second to fifth year inclusive	8 240 885	290 633
	10 397 179	**615 670**

Non-current liabilities	8 240 885	290 633
Current liabilities	2 156 294	325 037
	10 397 179	**615 670**

It is the municipality policy to lease certain motor vehicles, plant & equipment under finance leases. In terms of GRAP 13, when office equipment is rented over the major part of its useful life, the relevant lease is deemed a finance lease and the related liability raised and the asset capitalised.

The average lease term was 5 years and the average effective borrowing rate was prime.

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National conditional grants	4 036 626	654 528
Other conditional grants	419 028	613 308
	4 455 654	**1 267 836**

Movement during the year

Balance at the beginning of the year	1 267 836	5 751 169
Additions during the year	17 809 785	21 181 863
Income recognition during the year	(14 621 967)	(25 665 196)
	4 455 654	**1 267 836**

These amounts are invested in a ring-fenced investment until utilised.

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding is expected over the next three financial years.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

13. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised/ paid during the year	Total
Provision for Leave	1 797 378	1 310 487	(949 039)	2 158 826

Reconciliation of provisions - 2010

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation of landfill sites	1 920 000	-	(1 920 000)	-
Provision for leave	1 003 182	794 196	-	1 797 378
	2 923 182	**794 196**	**(1 920 000)**	**1 797 378**

14. Trade and other payables from exchange transactions

	2011	2010
Trade payables	2 318 978	2 320 950
Accrued expenses: Provision 13th cheque	476 829	407 927
Accrued expenses: Workmens compensation	309 264	309 264
Deposits received: Dam & Hall deposits	6 084	5 476
Other creditors: Debtors in credit balance	371 372	435 888
	3 482 527	**3 479 505**

The accrued expense for Workmens Compensation in 2010 relates to an assessment received for the 2005 financial year, for which the municipality has not yet submitted an assessment to the Department of Labour ito compensation for Health & Safety. The municipality is currently in the process of negotiating settlement terms for the debt.

The fair value of trade and other payables approximates their carrying amounts.

15. Trade and other payables from non-exchange transactions

	2011	2010
Housing Department agency account	215 019	215 019

2010: There was an agency agreement between the Department of Housing and Sakhisizwe Municipality, whereby the Department of Housing pays over funds to the municipality, who in return pays over the funds on behalf of the Department to the relevant contractors for the construction of housing. In terms of the agreement, the funds received are not treated as revenue and the payments made are not treated as expenditure in the financial statements of the municipality. The municipality mearly acts as an agent on behalf of the department.

16. VAT payable

	2011	2010
Tax refunds payables	-	589 901

17. Consumer deposits

	2011	2010
Electricity	313 534	307 104

18. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Financial liabilities at amortised cost	Non-financial liabilities	Total
Finance lease obligation	-	10 397 179	10 397 179
Trade & other payables from exchange	3 005 698	476 829	3 482 527
Trade & other payables non-exchange	-	215 019	215 019
Consumer deposits	-	313 534	313 534
Retiremant benefit obligation	-	1 580 836	1 580 836
Unspent conditional grants and receipts	4 455 654	-	4 455 654
Provisions	-	2 158 826	2 158 826
	7 461 352	**15 142 223**	**22 603 575**

2010

	Financial liabilities at amortised cost	Non-financial liabilities	Total
Finance lease obligation	-	615 670	615 670
Trade & other payables from exchange	3 071 578	407 927	3 479 505
Trade & other payables non-exchange	-	215 019	215 019
VAT	-	589 901	589 901
Consumer deposits	-	307 104	307 104
Retiremant benefit obligation	-	1 714 738	1 714 738
Unspent conditional grants and receipts	1 267 836	-	1 267 836
Provisions	-	1 797 378	1 797 378
	4 339 414	**5 647 737**	**9 987 151**

19. Revenue

	2011	2010
Interest on arrears	1 845 310	1 142 321
Property rates	2 608 692	2 843 303
Service charges	6 489 228	5 504 652
Government grants & subsidies	44 420 251	41 650 647
	55 363 481	**51 140 923**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	6 489 228	5 504 652
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	2 608 692	2 843 303
Property rates – Penalties imposed and collection charges	1 845 310	1 142 321
Transfer revenue		
Government grants & subsidies	44 420 251	41 650 647
	48 874 253	**45 636 271**

Figures in Rand	2011	2010

20. Property rates

Rates received

Property rates received	2 608 692	2 843 303

The new valuation roll was implemented 1st July 2009 resulting in a significant increase in the property rates received. In addition there were also properties included in the new valuation roll that were not previously included.

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009.

A general rate of 0.04876 cents - (2010: - 0.0046 cents) is applied to property valuations to determine assessment rates.

Rates are levied on an annual basis for agricultural properties and monthly for all other properties with the final date for payment being 31 August 2010 (31 August 2009). Interest is charged at prime plus 1% per annum (2010: prime plus 1% .

21. Service charges

Sale of electricity	4 841 693	3 770 094
Refuse removal	1 647 535	1 734 558
	6 489 228	**5 504 652**

The Sale of Electricity comprises of electricity in terms of monthly meter readings. No sales of pre-paid electricity takes place.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

22. Government grants and subsidies: Revenue

Equitable share	27 217 243	20 836 453
Municipal Improvement Grant (MIG)	7 596 230	15 132 985
MSIG Grant	1 362 389	623 133
Finance Management Grant (FMG)	3 007 701	2 695 931
DME Grant	2 313 653	866 767
Other government grants	2 923 035	1 495 378
	44 420 251	**41 650 647**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

National conditional grants

Balance unspent at beginning of year	654 528	5 142 328
Current-year receipts	17 506 000	14 862 595
Conditions met - transferred to revenue	(14 123 902)	(19 350 395)
	4 036 626	**654 528**

The funds will remain a liability as long as the conditions are still to be met. (see note 12)

Other conditional grants

Balance unspent at beginning of year	613 308	608 841
Current-year receipts	303 785	6 319 268
Conditions met - transferred to revenue	(498 065)	(6 314 801)
	419 028	**613 308**

The funds will remain a liability as long as the conditions are still to be met. (see note 12)

23. Other revenue

Rental income	90 215	163 613
Traffic department income	2 522 873	2 760 224
Sundry income (detailed in note on Sundry Income below)	682 674	1 539 568
	3 295 762	**4 463 405**

24. Sundry income

Electricity re-connection fee	29 780	24 372
Commission on collection	24 357	39 074
Building plan & inspection fees	17 817	10 914
Registration data base	6 404	6 717
Other income	273 634	1 362 610
Rates clearance certificates	2 856	3 027
Site payments	68 317	80 063
Trading licences	9 753	12 791
Defined Benefit Medical Aid actuarial gain	249 756	-
	682 674	**1 539 568**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
25. General expenses		
Advertising	42 867	42 886
Auditors remuneration	1 660 958	987 872
Bank charges	157 977	105 864
Consulting and professional fees	17 544	779 535
Consumables	250 628	127 274
Entertainment	88 503	239 110
Insurance	271 663	165 976
IT expenses	361 507	234 201
Rent: office equipment	90 486	81 852
Mayors fund	444 532	156 933
Promotions and sponsorships	68 742	468 240
Magazines, books and periodicals	3 802	16 742
Fuel and oil	983 801	893 815
Printing and stationery	338 098	193 587
Protective clothing	59 631	143 697
Security services	332 707	81 553
Licence fees	553 075	203 714
Subscriptions and membership fees	114 663	123 862
Telephone, postage and fax	540 160	375 492
Training	94 191	162 651
Travel expenses	1 750 286	635 416
Electricity purchases	155 496	151 735
Refuse bags	15 480	11 996
Free Basic Services: Electricity	341 824	533 536
Pauper Burial	74 574	6 270
Pound expenditure	15 279	51 508
Tools & accessories: non-capital	108 983	326 444
Remuneration Ward Committee (Council general expenses)	325 000	-
Administration Charges (Inter departmental)	9 617 572	7 705 933
	18 880 029	**15 007 694**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

26. Employee related costs

Basic	10 195 291	8 657 835
Allowances	18 759	44 656
Bonus	676 467	639 027
Medical aid - company contributions	693 963	560 888
UIF	96 152	83 265
SDL	173 125	133 716
Leave pay provision charge	1 310 487	1 615 481
Post-employment benefits - Pension - Defined contribution plan	1 298 445	1 193 428
Overtime payments	978 241	622 560
Long-service awards	-	179 044
Transitional & other allowances	23 430	42 592
Telephone allowances	2 400	7 911
Contribution Bargaining Council	5 117	4 654
Acting allowances	3 696	-
	15 475 573	**13 785 057**

Remuneration of municipal manager

Annual Remuneration	556 494	502 238
Car Allowance	84 000	123 797
Performance & other bonuses	38 422	185 592
Contributions to UIF, Medical and Pension Funds	137 061	182 956
Housing & telephone allowances	81 708	83 208
Subsistence & Other allowances	46 764	75 320
	944 449	**1 153 111**

Remuneration of chief finance officer

Annual Remuneration	507 698	448 824
Car Allowance	60 000	88 476
Performance & other bonuses	1 983	36 592
Contributions to UIF, Medical and Pension Funds	138 486	131 717
Subsistence & Other allowances	65 640	25 508
	773 807	**731 117**

Corporate and human resources (corporate services)

Annual Remuneration	521 759	476 291
Car Allowance	108 000	119 490
Performance & other bonuses	39 632	64 980
Contributions to UIF, Medical and Pension Funds	29 500	-
Telephone, housing & other allowances	-	1 000
Subsistence & Other allowances	17 926	43 306
	716 817	**705 067**

IPED

Annual Remuneration	531 640	477 681
Car Allowance	108 000	109 524
Performance & other bonuses	44 670	75 369
Contributions to UIF, Medical and Pension Funds	13 599	-
Housing & telephone allowances	-	11 786
Subsistence & Other allowances	39 953	27 507
	737 862	**701 867**

Figures in Rand	2011	2010

26. Employee related costs (continued)

Technical Services

Annual Remuneration	513 818	470 432
Car Allowance	108 000	115 573
Performance & other bonuses	41 930	66 186
Contributions to UIF, Medical and Pension Funds	32 381	-
Housing & telephone allowances	-	12 496
Subsistence & Other allowances	17 586	11 262
	713 715	**675 949**

27. Remuneration of councillors

Remuneration: Executive Major	528 093	543 306
Remuneration: Councillors	1 627 772	1 393 918
Medical, travel & other allowances	630 539	679 331
Pension contributions	97 739	-
	2 884 143	**2 616 555**

28. Debt impairment expenditure

Debt impairment	4 122 072	5 225 292

29. Investment revenue

Interest revenue		
Interest received on investment accounts	701 261	1 076 721

30. Depreciation and amortisation

Property, plant and equipment	3 657 118	3 762 670

31. Impairment of assets

Impairments		
Other receivables from non-exchange revenue (Chris Hani Agency Account)	-	4 172 709

32. Finance costs

Finance leases	1 063 937	86 660
Other interest paid	115 854	(94 523)
	1 179 791	**(7 863)**

33. Auditors' remuneration (expenditure)

Auditor General fees	1 335 711	973 872
Internal Audit expenditure	325 247	14 000
	1 660 958	**987 872**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

34. Expenditure through Grants and subsidies

Other subsidies		
Fund: Finance Management Grant (FMG)	3 098 162	2 454 863
Fund: MSIG expenditure	641 764	306 542
Fund: MIG high mast towers	-	186 390
Fund: LED	-	284 131
Fund: Repairs & maintenance roads	1 753 157	19 273
Fund: Dipping tanks	-	97 875
Fund: Repairs & maintenance: pounds	387	2 124
Fund: Repairs & maintenance: street lights	24 476	8 134
Fund: Land audit & other	452 968	258 786
Fund: Disaster expenditure	-	402 853
Fund: Dedea	477 461	-
Fund: IDP	368 847	-
	6 817 222	**4 020 971**

35. Bulk purchases

Electricity	5 113 861	4 249 447

36. Cash generated from operations

Surplus	4 509 603	6 643 320
Adjustments for:		
Depreciation and amortisation	3 657 118	3 891 485
Gain on sale of assets	-	17 890
Interest income	(2 546 571)	(1 076 721)
Finance costs	1 198 085	68 366
Impairment deficit	-	4 172 709
Movements in retirement benefit assets and liabilities	(133 902)	(94 523)
Movements in provisions	361 448	986 196
Non-cashflow journals: 2011	(3 608 099)	(3 027 773)
Changes in working capital:		
Trade and other receivables from exchange transactions (reallocated to note 11)	(4 689)	175 105
Other receivables from non-exchange transactions	(745 618)	(40 659)
Consumer debtors	-	20 035
Other current asset	-	6 081 904
Trade and other payables from exchange transactions	3 022	3 706 630
VAT	(4 559 671)	881 862
Trade & other payable (non exchange)	-	215 019
Unspent conditional grants and receipts	3 187 818	(4 483 654)
Consumer deposits	6 430	20 035
Finance Leases	-	(15 277)
	1 324 974	**18 141 949**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

37. Contingencies

Workmans Compensation:

2010: The municipality has not yet submitted the required assessments to the Department of Labour relationg to Compensation for Occupational Health and Safety for the 2005, 2006, 2007, 2008, 2009 and 2010 financial years. At the time that the financial statements were compiled, an amount of R309 264 had been claimed from the municipality by the Department of Labour for the 2005 financial year. The municipality is currently in the process of negotiating payment terms, however it was not possible to quantify the amount owed for the 2006 to 1010 financial years, nor was it possible to quantify the amount that will be due by the municipality for penalties and interest.

Accounts Payable invoiced but not yet processed as a creditor on the accounting system:

A contract was entered into between MTN Celular Service Provider and Sakhisizwe Municipality whereby the Municipality stands as surety for numerous cellphone contracts for unknown users of the cellphones. The original agreement between the service provider and the municipality was not concluded and signed by an authorised municipal official, neither have the costs been recovered from the users of the cellphones and subsequently the municipality is disputing their liability of the claim by the service provider for an outstanding balance of R513 446.37.

38. Prior period errors

Property, Plant and Equipment was adjusted for changes in the valuation of land and buildings, reairs and maintenance incorrectly capitalised, other assets incorrectly capitalised and other related changes.

The provision for bad debts was adjusted in terms of the amended method of calculation of the provision for impairment of doubtful debts.

Accounts payable/ Creditors was adjusted for unknown differences in the opening balances.

VAT was adjusted for unknown differences in the opening balances.

Finance leases was adjusted for changes in the interest rate

Statement of financial position		
Property, plant and equipment	-	2 546 265
VAT	-	(3 099 507)
Investments	-	(322)
Trade and other payables from non-exchange transactions	-	2 974 731
Trade & other payables	-	1 217 003
Finance Leases	-	(18 294)
Statement of financial performance		
Profit/ loss on sale of assets	-	(52 130)
Repairs & maintenance: Buildings	-	(1 866 581)
Repairs & maintenance: Roads	-	465 189
Impairment for Doubtful Debts	-	(2 910 511)
Depreciation	-	(128 815)
Interest & finance costs	-	18 294
Total prior year adjustments to accumulated surplus	-	854 678

39. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow and available borrowing facilities are monitored.

Interest rate risk

As the municipality has no significant interest-bearing liabilities, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Customers cannot be refused basic services and this constitutes a serious credit risk. A credit control policy is in place so as to minimise the risk but the risk is largely dependent on the political will for execution to control the credit risk

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2011	2010
Short term deposits	9 967 338	14 161 978
Trade and other receivables	8 115 350	7 365 043

40. Going concern

We draw attention to the fact that at 30 June 2011, the municipality had accumulated surplus of R 91 089 591 and that the municipality's total assets exceed its liabilities by R 91 089 591.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

41. Unauthorised expenditure

	2011	2010
Unauthorised expenditure	566 506	13 435 017

Unauthorised expenditure in 2011 for R566 506 (2010: R13 435 017) was due to the overspending on the budget.

42. Fruitless and wasteful expenditure

	2011	2010
Licencing & service fees: Traffic department	39 146	23 138
Overpayment of expenditure	-	112 932
	39 146	**136 070**

2010: Licencing & service fees totalling R23 138 were incurred by the Traffic department on licencing & service fees paid to TCS (Pty)Ltd for the use of a system which is no longer in use by the Traffic department, but for which no notice has been given to the relevant company to cancel the contract. No attempt has been made to recover the fruitless expenditure. No criminal or disciplinary steps were considered necessary in relation to the expenditure.

Figures in Rand	2011	2010

42. Fruitless and wasteful expenditure (continued)

2010: An amount of R112 932 was overpaid to Mars Technology during the current financial year where a duplicate payment was made by the municipality. An agreement has been reached whereby Mars Technology will refund the overpayment to the municipality in the 2011 financial year. No criminal or disciplinary steps were considered necessary in relation to the overpayment.

2011: A duplicate payment was incorrectly made to Escom on the 26 August 2010 R39 146.05.

43. Irregular expenditure

	2011	2010
Opening balance	5 284 247	-
Add: Irregular Expenditure - current year	13 321 328	5 284 247
Less: Amounts condoned	-	-
	18 605 575	**5 284 247**

During the current financial year it was noted that under banking to the amount of R 14 807 (2010: R21 712.81) occured at the Cala Receipting office. No explanation could be provided and no authorisation was given for the under banking of the cash receipts.

During the 2010 financial year it was noted that the Nissan Hardbody 2.7 diesel vehicle (registration no. CZW102EC) had incurred approximately R126 468.86 in fuel costs. No controls exist around the monitoring of the vehicles travel and fuel usage and in addition, the vehicles odometer has been disconnected. Irregularities have been noted by management in connection with the fuel consumption and fuel purchases incurred for the respective vehicle. The extent of irregular expenditure on fuel for this vehicle could not be verified.

Expenditure to the value of R13 306 521 (2010: R5 136 065.07) was incurred during the current financial year, for which the minimum required documentation was not available in order to comply with the required procurement procedures. As a result, the expenditure is considered irregular.

44. Additional disclosure in terms of Municipal Finance Management Act

Material losses through criminal conduct

Under banking of current Cala Municipal Office Cashier: R 14 807 (2010: R21 712.81)

Under banking of Elliot Traffic Department Cashiers: R 90 689.04 (2010: R161 729.41) (Total balance: 252 418.45)

(refer to details in note on irregular expenditure above)

Audit fees (Liability)

	2011	2010
Current year subscription / fee	2 069 616	1 623 118
Amount paid - current year	(2 069 616)	(1 623 118)
	-	-

VAT

	2011	2010
VAT receivable	3 969 770	-
VAT payable	-	589 901
	3 969 770	**589 901**

VAT output payables and VAT input receivables are shown in note .

Not all VAT returns were submitted to SARS by the due date due to delays experienced in the registration of Sakhisizwe Municipality for VAT e-filing.

Councillors' arrear consumer accounts

Figures in Rand	2011	2010

44. Additional disclosure in terms of Municipal Finance Management Act (continued)

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
SP Ntakana	1 416	1 179	2 595
TT Doda	591	15 721	16 312
	2 007	**16 900**	**18 907**

30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
KJ Radzilani	2 061	217	2 278
SP Ntakana	5 628	2 969	8 597
M Mzuzu	576	6 473	7 049
	8 265	**9 659**	**17 924**

45. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix D1 for the comparison of actual operating expenditure versus budgeted expenditure.

46. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E2 for the comparison of actual capital expenditure versus budgeted expenditure.

Detailed Income statement

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	20	2 608 692	2 843 303
Service Charges	21	6 489 228	5 504 652
Government grants and subsidies received	22	44 420 251	41 650 647
Rental income		90 215	163 613
Motor vehicles licenses & permits		2 522 873	2 760 224
Sundry income	24	682 674	1 539 568
Interest received (arrears)		1 845 310	1 142 321
Interest received - investment	29	701 261	1 076 721
Total Revenue		**59 360 504**	**56 681 049**
Expenditure			
Employee related costs	26	(19 362 223)	(17 752 168)
Remuneration of councillors	27	(2 884 143)	(2 616 555)
Depreciation and amortisation	30	(3 657 118)	(3 762 670)
Impairment loss: Chris Hani Agency account	31	-	(4 172 709)
Finance costs	32	(1 179 791)	7 863
Debt impairment	28	(4 122 072)	(5 225 292)
Repairs and maintenance		(5 268 998)	(926 129)
Bulk purchases	35	(5 113 861)	(4 249 447)
Expenditure through grants & subsidies	34	(6 817 222)	(4 020 971)
General Expenses	25	(18 880 029)	(15 007 694)
Total Expenditure		**(67 285 457)**	**(57 725 772)**
Administration Charges (Inter departmental)		12 434 556	7 705 933
Loss on biological assets and agricultural produce		-	(17 890)
Surplus for the year		**4 509 603**	**6 643 320**

APPENDIX A

SAKHISIZWE LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2011

Category	Property, Plant and Equipment						Accumulated Depreciation					
	Opening Balance	Additions	Under-construction	Disposals	Other adjustments/ transfers	Closing Balance	Opening	Depreciation Current year	Other Adjustments	Depreciation Disposals	Closing Balance	Carrying Value
Land and buildings	**9 173 500**	**45 001**	**-**	**-**	**-**	**9 218 501**	**-**	**-**	**-**	**-**	**-**	**9 218 501**
Land	883 000	-	-	-		883 000	-	-	-		-	883 000
Municipal Buildings	8 290 500	45 001	-	-		8 335 501	-	-	-		-	8 335 501
Infrastructure	**62 156 793**	**3 306 506**	**-**	**-**	**-**	**65 463 300**	**3 297 429**	**767 908**	**-**	**-**	**4 065 337**	**61 397 963**
Electricity	5 024 561	1 927 561	-	-		6 952 123	466 125	508 960	-		975 085	5 977 038
Road Transport	57 132 232	1 378 945		-		58 511 177	2 831 304	258 948	-		3 090 252	55 420 925
Security	-	-	-	-		-	-	-	-		-	-
Sewerage	-	-	-	-		-	-	-	-		-	-
Water	-	-	-	-		-	-	-	-		-	-
Community assets	**3 921 756**	**-**	**-**	**-**		**4 523 639**	**-**	**243 496**	**-**	**-**	**243 496**	**4 280 143**
Caravan parks	-	-	-	-		-	-	-	-		-	-
Care centres	-	-	-	-		-	-	-	-		-	-
Cemetaries	-	-		-		-	-	-	-		-	-
Cinics and Hospitals	-	-	-	-		-	-	-	-		-	-
Community centres	1 866 581	-		-		2 468 464	-	-	-		-	2 468 464
Landfill sites	2 055 175		-	-		2 055 175	-	243 496	-		243 496	1 811 679
Libraries	-	-	-	-		-	-	-	-		-	-
Sport facilities	-	-	-	-		-	-	-	-		-	-
Other assets	**8 014 036**	**15 288 784**	**-**	**-**	**-**	**23 302 819**	**4 928 538**	**2 661 932**	**-**	**-**	**7 590 469**	**15 712 350**
Abbatoirs	-	-	-	-		-	-	-		-	-	-
Computer equipment	1 195 187.63	187 052	-	-		1 382 239.25	474 567.02	201 729.17	-	-	676 296.19	705 943.06
Emergency equipment	52 872	-	-	-		52 872	31 581	4 673	-	-	36 254	16 618
Furniture and fittings	1 018 610	740 954	-	-		1 759 564	592 514	100 785	-	-	693 299	1 066 265
Office equipment	120 000	130 722	-	-		250 722	27 000	24 587		-	51 587	199 136
Motor vehicles	2 385 800	-	-	-		2 385 800	1 292 611	238 417			1 531 028	854 772
Plant & machinery	3 241 566	14 230 056	-	-		17 471 622	2 510 265	2 091 740		-	4 602 005	12 869 617
Total PPE	**83 266 085**	**18 640 291**	**-**	**-**	**-**	**102 508 259**	**8 225 967**	**3 673 336**	**-**	**-**	**11 899 302**	**90 608 957**
Intangible Assets	**-**	**-**		**-**		**1 031 749**	**-**	**-**			**-**	1 031 749
Computer software	-		118 572	-		118 572	-	-			-	
			728 379			728 379						
			184 798			184 798						
Total	**83 266 085**	**18 640 291**	**1 031 750**	**-**	**-**	**103 540 008**	**8 225 967**	**3 673 336**	**-**	**-**	**11 899 302**	**91 640 706**

APPENDIX B

SAKHISIZWE LOCAL MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2011

Department	Opening Balance	Additions	WIP	Closing Balance	Opening Balance	Depreciation	Depreciation Closing Balance	Carrying Value
Executive & Council	534 715	-		534 715	141 977	64 166	206 143	328 572
Finance & Admin	11 214 369	1 058 728		12 273 097	850 835	277 141	1 127 976	11 145 121
Planning & Development	-	-		-	-	-	-	-
Health	238 450	-		238 450	184 877	9 874	194 751	43 699
Community & Social Services	1 734 693	45 001	905 254	2 684 948	116 358	50 737	167 095	2 517 853
Public Safety	476 881	-		476 881	376 538	10 793	387 331	89 550
Housing	-	-		-	-	-	-	-
Parks & Recreation	-		-	-	-	-	-	-
Sanitation (District)	-		-	-	-	-	-	-
Waste Management	3 373 793			3 373 793	1 033 489	259 830	1 293 320	2 080 473
Road Transport	60 367 596	15 609 001	728 379	76 704 976	5 017 969	2 345 750	7 363 719	69 341 257
Water (District)	-	-		-	-	-	-	-
Electricity	5 325 588	1 927 561		7 253 149	503 924	655 045	1 158 969	6 094 180
Total	**83 266 085**	**18 640 291**	**1 633 633**	**103 540 009**	**8 225 967**	**3 673 336**	**11 899 304**	**91 640 706**

SAKHISIZWE LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
	2 841 866	(2 841 866)	Executive & Council		1 003 145	1 003 145
30 096 920	21 617 141	8 479 779	Finance & Admin	(36 038 445)	17 081 047	(18 957 398)
16 132 412	2 132 013	14 000 399	Planning & Development	(12 512 424)	3 768 935	(8 743 489)
1 234 150	2 788 176	(1 554 026)	Health	(557 362)	2 428 021	1 870 659
166 996	1 222 101	(1 055 105)	Community & Social Services	(83 470)	1 271 442	1 187 972
2 760 224	1 918 758	841 466	Public Safety	(2 522 873)	1 951 440	(571 433)
80 063	193 444	(113 381)	Housing	(68 317)	155 097	86 780
1 650	1 269 460	(1 267 810)	Parks & Recreation	(2 150)	1 568 427	1 566 277
		-	Sanitation			-
2 318 370	6 757 399	(4 439 029)	Waste Management	(2 615 557)	7 830 212	5 214 655
2 608	5 765 346	(5 762 738)	Road Transport	(7 205)	9 102 933	9 095 728
		-	Water			-
3 887 656	8 006 577	(4 118 921)	Electricity	(5 013 046)	8 750 547	3 737 501
56 681 049	**54 512 281**	**2 168 768**	**TOTAL**	**(59 420 849)**	**54 911 246**	**(4 509 603)**

SAKHISIZWE LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget *(Explanations to be recorded)*
Revenue (by Source)					
Property Rates	2 665 644	3 160 000	(494 356)	-16%	
Property Rates - Penalties imposed and collection		-	-		
Service Charges	6 489 228	8 714 000	(2 224 772)	-26%	
Rental of facilities and equipment	84 240	1 007 700	(923 460)	-92%	
Interest earned - External investments	701 261	720 000	(18 739)	-3%	
Interest earned - Outstanding Debtors	1 845 309	80 000	1 765 309	2207%	
Dividends Received	515	-	515		
Fines	27 728	50 350	(22 622)	-45%	
Licenses and permits		-	-		
Income for agency services		485 000	(485 000)	-100%	
Government Grants and Subsidies - Operational	32 853 385	34 447 836	(1 594 451)	-5%	
Government Grants and Subsidies - Capital	11 873 272	16 716 000	(4 842 728)	-29%	
Other Income	2 932 527	2 626 000	306 527	12%	
Change in Fair Values		-			
Gain on Disposal of Assets		-	-		
Total Revenue	**59 473 109**	**68 006 886**	**(8 533 777)**		
Expenditure (by type)					
Employee related costs	17 736 371	18 863 692	1 127 321	6%	
Remuneration of Councilors	2 905 604	3 235 032	329 428	10%	
Bad Debt	4 122 072	4 320 120	198 048	5%	
Depreciation	3 657 118	4 060 000	402 882	10%	
Repairs & Maintenance	7 112 666	1 434 000	(5 678 666)	-396%	
Interest Paid	1 063 938	842 480	(221 458)	-26%	
Bulk Purchases	5 050 368	6 700 000	1 649 632	25%	
Contracted Services	342 865	271 000	(71 865)	-27%	
Grants & Subsidies Paid	5 013 776	5 803 000	789 224	14%	
General Expenses	7 958 728	8 885 973	927 245	10%	
Gain or loss on disposal of assets		-	-		
Total Expenditure	**54 963 506**	**54 415 297**	**(548 209)**	-1%	
Surplus/(Deficit)	**4 509 603**	**13 591 589**	**(9 081 986)**		

SAKHISI▯ WE MUNICIPALIT▯

APPENDI▯ E2

ACTUAL VERSUS BUDGET: AC▯ UISITION OF PROPERT▯ PLANT AND E▯ UIPMENT

FOR THE ▯ EAR ENDED 30 JUNE 2011

	2011 Actual	20101 Under construction	2011 Total additions	2011 Budget	Variance	Variance ▯	Explanation of Significant Variances Greater than 5▯ versus Budget
	R	R	R	R	R		
Land							
Land		-	-		-	-	
Landfill Sites	-	-	-		-	-	
	-	-	-	-	-	-	
Buildings	45 001		45 001		45 001		
Infrastructure							
Roads	1 378 945		1 378 945	11 012 000	(9 633 055)	-87%	
Electricity Mains	1 927 561		1 927 561	6 000 000	(4 072 439)	-68%	
Reservoirs/Tanks/Pumps			-		-	-	
Taxi Ranks			-		-	-	
Airfield			-		-	-	
	3 306 506	-	3 306 506	17 012 000	-13 705 494	-155%	
Community Assets							
Parks & Gardens			-		-		
Libraries			-		-	-	
Recreation Grounds			-		-	-	
Civic Buildings			-		-	-	
Landfill Sites			-				
Halls			-	4 000 000	(4 000 000)	-100%	
Pre-Schools			-		-	-	
Arts & Craft			-		-	-	
Cemeteries			-		-	-	
	-	-	-	4 000 000	-4 000 000	-100%	
Other Assets							
Office Equipment	130 722		130 722	150 000	(19 278)	-	
Furniture & Fittings	740 954		740 954		740 954	-	
Plant and Equipment	14 230 056		14 230 056	6 000 000	8 230 056		
Motor vehicles			-		-		
Emergency Equipment			-				
Specialised vehicles			-	300 000	(300 000)	-	
Computer Equipment	187 052		187 052		187 052		
Intangible Assets			-				
Loose equipment			-	60 000	(60 000)	-	
	15 288 784	-	15 288 784	6 510 000	8 778 784	0%	
TOTAL	**18 640 291**	**-**	**18 640 291**	**27 522 000**	**(8 881 709)**	**-255▯**	